



DUKE ENERGY CORPORATION  
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**RECEIVED**  
APR 14 2006  
PUBLIC SERVICE  
COMMISSION

**VIA OVERNIGHT MAIL**

April 13, 2006

Ms. Elizabeth O'Donnell  
Executive Director  
Kentucky Public Service Commission  
211 Sower Boulevard  
P.O. Box 615  
Frankfort, Kentucky 40602-0615

Re: In the Matter of the Application of The Union Light, Heat and Power Company  
d/b/a Duke Energy Kentucky for a Certificate of Public Convenience and  
Necessity to Construct Gas Distribution Facilities Within its Service Territory  
Case No. 2005-00094

Dear Ms. O'Donnell:

Enclosed please find an original and twelve copies of the April Update Report on  
Construction Costs for Accelerated Main Replacement Program in the above-referenced  
case.

Please date stamp and return the two extra copies of this filing in the enclosed  
envelope.

If you have any questions, please do not hesitate to contact me at (513) 287-3601.

Sincerely,

John J. Finnigan, Jr.  
Senior Counsel

JJF/sew  
Enclosures

COMMONWEALTH OF KENTUCKY

RECEIVED

BEFORE THE PUBLIC SERVICE COMMISSION

APR 14 2006

PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF THE UNION LIGHT, HEAT )
AND POWER COMPANY FOR A CERTIFICATE )
OF PUBLIC CONVENIENCE AND NECESSITY )
TO CONSTRUCT GAS DISTRIBUTION FACILITIES )
WITHIN ITS SERVICE TERRITORY )

CASE NO. 2005-00094

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DUKE ENERGY KENTUCKY'S
APRIL 2006 UPDATE REPORT ON CONSTRUCTION COSTS
FOR ACCELERATED MAIN REPLACEMENT PROGRAM
\* \* \* \* \*

Pursuant to KRS 278.020, 807 KAR 5:001, Sections 8 and 9, and the Commission's Order dated May 5, 2005 in this proceeding, The Union Light, Heat and Power Company d/b/a Duke Energy Kentucky ("Duke Energy Kentucky") respectfully states as follows:

1. The Commission's May 5, 2005 Order granted a certificate of Public Convenience and Necessity for Duke Energy Kentucky to add \$11,200,000 to its gas plant for its 2005 Accelerated Main Replacement Program. The Commission's Order also granted Duke Energy Kentucky a deviation to exceed this amount by up to 20%. Finally, the Commission's Order required Duke Energy Kentucky to file a report by April 15, 2006 on the actual construction costs incurred during 2005.

2. Duke Energy Kentucky reports that the actual construction costs for new gas plant-in-service added through the AMRP in 2005 was \$13,371,257. This amount exceeds by 19.4% the \$11,200,000 amount approved in the Commission's Order; however, this amount is within the deviation granted in the Commission's Order, which allowed Duke Energy Kentucky to exceed

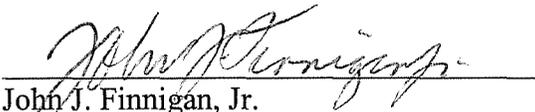
the \$11,200,000 limit by up to 20%.

3. Attachment A is a report listing: (1) the estimated amount for each project in Duke Energy Kentucky's 2005 AMRP construction program; (2) the actual amount added to gas plant-in-service through the AMRP program in 2005 for each type of project; and (3) the reason for any variance.

WHEREFORE, Duke Energy Kentucky respectfully requests that the Commission: (1) accept this report on actual construction costs for new gas plant-in-service added through the AMRP program in 2005; and (2) enter an Order closing this proceeding.

Respectfully submitted,

DUKE ENERGY KENTUCKY

  
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**Duke Energy--Kentucky**  
**2005 AMRP Construction Costs**  
**Comparison of Estimated and Actual Costs**

**Attachment A**

	<u>Estimated Costs (1)</u>	<u>Actual Costs (2)</u>	<u>Difference</u>	<u>Variance Explanation (3)</u>
<b><u>Module Jobs</u></b>				
Module 303	592,960	503,190	(89,770)	
Module 306	1,507,227	1,504,740	(2,487)	
Module 307	4,384,738	4,114,901	(269,837)	
Module 313	763,350	888,500	125,150	
Module 314	565,895	713,938	148,043	
Module 341	190,279	-	(190,279)	
Lawton Rd	255,683	336,732	81,049	
Dixie Hwy (Steel)	577,013	818,685	241,672	
Dixie Hwy (Steel)	758,137	1,326,278	568,141	
	<u>9,595,282</u>	<u>10,206,965</u>	<u>611,683</u>	
<b><u>CIMOS Jobs</u></b>				
Holmes	73,583	49,703	(23,880)	
Hinde	120,651	109,565	(11,086)	
Grant	180,688	231,933	51,245	
W. Southgate Ave	-	41,250	41,250	
	<u>374,922</u>	<u>432,451</u>	<u>57,529</u>	
<b><u>Street Improvement Jobs</u></b>				
N. Ft. Thomas/Mayo	<u>229,796</u>	<u>715,862</u>	<u>486,066</u>	
2004 Carry-Over	<u>1,000,000</u>	<u>2,015,979</u>	<u>1,015,979</u>	
Total for 2005	<u><u>11,200,000</u></u>	<u><u>13,371,257</u></u>	<u><u>2,171,257</u></u>	

Notes:

- (1) Includes contractor labor, materials, company labor, other and loadings.
- (2) Actual costs through December 31, 2005.
- (3) See 2005 Kentucky Variance Explanations.

## 2005 Kentucky Variance Explanations

### Module 303

This project is bid and installed by a unit cost price structure. The 2005 actual unit quantities installed were less than the estimated.

### Module 306

This project is bid and installed by a unit cost price structure. The 2005 actual unit quantities installed were less than the estimated.

### Module 307

This project is bid and installed by a unit cost price structure. The 2005 actual unit quantities installed were less than the estimated.

### Module 313

This project construction method was changed from a directional drill to direct bury due to the congestion of utilities within the directional bore path. The additional costs were due to the installation method and restoration cost not contemplated at the time the work order was written.

### Module 314

This project variance is due to unanticipated utilities. The proposed gas facilities were adjusted to accommodate these unanticipated field conditions not contemplated at the time the work order was written.

### Module 341

This project was moved to the 2006 construction season.

### Lawton Road

This project variance is due to unanticipated deterioration of existing pipe at the tie-in location. This main was extended beyond the deteriorated section. These unanticipated field conditions were not contemplated at the time the work order was written.

### Dixie Hwy – Job 04-1116-5

This project variance is due to unanticipated permit requirements. The Commonwealth of Kentucky, Department of Transportation changed the shift requirements. All work had to be performed at night. In addition, the Commonwealth changed the restoration

requirements to a grind and pave a lane in 2005. All these conditions were not contemplated at the time the work order was written.

#### Dixie Hwy – Job 04-1026-6

This project variance is due to unanticipated permit requirements. The Commonwealth of Kentucky, Department of Transportation changed the shift requirements. All work had to be performed at night. In addition, abandoned utilities were found in the proposed alignment which had to be removed prior to installation of the new gas facilities. All these conditions were not contemplated at the time the work order was written.

#### CIMOS Projects – Holmes, Hinde, Grant

These projects were bid and installed by a unit cost price structure. The 2005 actual unit quantities installed were less or more than the estimated.

#### CIMOS Project – W. Southgate Ave

The City of Ft. Thomas requested our project to be constructed in 2005 due to a street resurfacing project. This project was added after the report was submitted.

#### N. Ft. Thomas/Mayo

This project variance is due to unanticipated deterioration of existing pipe at the tie-in location. This main was extended beyond the deteriorated section. In addition, the proposed main had conflicts with existing utilities causing the proposed location of the main to be changed increasing the cost of restoration. These unanticipated field conditions were not contemplated at the time the work order was written.

#### 2004 Carry-Over

All the projects in 2004 under this category represent were bid and installed by a unit cost price structure. The 2005 actual unit quantities installed were more than estimated.